

District 9 - Indian River, Okeechobee, St. Lucie, Martin, and Palm Beach counties

District 10 - Broward county and

District 11 - Dade and Monroe counties

HCFA-PUB.15-1: Health Insurance Manual No. 15, also known as the Provider Reimbursement Manual, published by the Department of Health and Human Services, Health Care Financing Administration.

Medicaid Interim Reimbursement Rate: A reimbursement rate or component of an overall reimbursement rate that is calculated from budgeted cost data. Any overpayments or under payments resulting from the difference between budgeted costs and actual costs (limited by class or statewide ceilings), as determined through an audit of the same reporting period, will be either refunded to the Agency or paid to the provider as appropriate.

Medically Fragile: Infants and children with complex medical problems are individuals, ages 0-21, who have chronic debilitating diseases or conditions of one or more physiological or organ systems which generally make them dependent upon 24-hour a day medical/nursing/health supervision or intervention. Medically fragile means an individual whose medical condition is such that he is technologically dependent, requiring medical apparatus or procedures to sustain life, e.g., requires total parenteral nutrition (TPN) or is ventilator dependent.

Medicaid Nursing Home Operating Costs: Those costs not directly related to patient care or property costs, such as administrative, plant operation, laundry and housekeeping costs. Return on equity or use allowance costs are not included in operating costs.

Medicaid Nursing Home Patient Care Costs: Those costs directly attributed to nursing services, dietary costs, and other costs directly related to patient care, such as activity costs, social services, and all medically-ordered therapies.

Medicaid Nursing Home Property Costs: Those costs related to the ownership or leasing of a nursing home. Such costs may include property taxes, insurance, interest and depreciation, or rent.

Provider: Means a person or entity licensed and/or certified under State law to deliver health care or related services, which services are reimbursable under the Florida Medicaid Program.

Reimbursement Ceilings: The upper rate limits for Medicaid nursing home operating and patient care reimbursement for nursing homes in a specified reimbursement class, or, the upper limit for nursing home property cost reimbursement for all nursing homes statewide.

Reimbursement Ceiling Period: January 1 through June 30 of a given year or July 1 through December 31 of a given year.

Title XVIII: Health Insurance for the Aged, Blind or Disabled (Medicare) as provided for in the Social Security Act (42 U.S.C. 1395-1395pp).

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Title XIX: Grants to States for Medical Assistance Programs (Medicaid) as provided for in the Social Security Act (42 U.S.C. 1396-1396i).

APPENDIX A
CALCULATION OF THE FLORIDA NURSING HOME COST INFLATION INDEX

Based on a sample size of approximately 25% of the cost reports filed for the rate period beginning January 1, 1988, the percentage weights for cost components are estimated as:

| | |
|-----------------------|--------|
| Salaries and Benefits | 57.89% |
| Dietary | 5.18% |
| Others | 36.93% |

An inflation index for each of these components is developed from the Data Resources, Inc. Skilled Nursing Facility Market Basket of Routine Services Costs inflation indices as follows:

| Component | DRI Index |
|-----------------------|--|
| Salaries and Benefits | Wages and Salaries, combined with Employee Benefits |
| Dietary | Food |
| All Others | Fuel and Utilities, combined with Other Expenses |

The DRI indices are combined by summing the products of each index times the ratio of the respective DRI budget share to total budget share represented by the combined indices.

Example: For the fourth quarter of 1982 Health Care Costs (April, 1982 issue, p. 18)

$$\begin{aligned} \text{Wages and Salaries index} &= 1.026; \text{ budget share} = .595 \\ \text{Employee Benefits index} &= 1.062; \text{ budget share} = .089 \\ \text{Weighted combination (Salaries and Benefits)} \\ &= (1.026 \times (.595 / (.595 + .089))) + (1.062 \times (.089 / (.595 + .089))) \\ &= 1.03068 \end{aligned}$$

A weighted quarterly index is then constructed by summing the products of the weights and quarterly component indices. This quarterly composite index is utilized to obtain monthly indices called the Florida Nursing Home Cost Inflation Index by averaging pairs of quarterly indices and interpolating between these averages as follows:

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| Quarter | Index | Average Index | Corresponding Month |
|---------|--------|---------------|---------------------|
| 1982: 1 | 0.9908 | 0.9954 | March 31 |
| 1982: 2 | 1.0000 | 1.0078 | June 30 |
| 1982: 3 | 1.0155 | 1.0236 | September 30 |
| 1982: 4 | 1.0316 | | |

$$\begin{aligned}\text{April 30 Index} &= (\text{June 30 Index} / \text{March 31 Index})^{1/3} \times (\text{March 31 Index}) \\ &= (1.0078 / .9954)^{1/3} \times .9954 \\ &= .9995\end{aligned}$$

$$\begin{aligned}\text{May 31 Index} &= (\text{June 30 Index} / \text{March 31 Index})^{2/3} \times (\text{March 31 Index}) \\ &= (1.0078 / .9954)^{2/3} \times .9954 \\ &= 1.0036\end{aligned}$$

All monthly indices can be calculated in a similar fashion.

These indices will be updated semi-annually prior to each January 1 and July 1. Weights for cost components will be updated based on the latest available cost data on file with AHCA.

APPENDIX B
CALCULATION OF THE FLORIDA CONSTRUCTION COST INFLATION INDEX
FOR RATES EFFECTIVE PRIOR TO 7/1/91

The Florida Construction Cost Inflation Index is calculated by combining certain indices in the semiannual quarterly publication, Dodge Building Cost Indices for U.S. & Canadian Cities, published by McGraw-Hill. The Florida Index is calculated by the following steps:

1. Compute the average Dodge Index for the six Florida cities listed in the publication: Fort Myers, Jacksonville, Miami, Orlando, Tallahassee, and Tampa.
2. The combined Florida Construction Cost Inflation Index from Step 1 is projected one semester forward by assuming that the change in the index over the six months will equal the change in the last six months. Thus:

$$\text{Projected Index Value} = \frac{\text{Last Index Value}}{\text{Next-to-last Index Value}} \times \text{Last Index Value}$$

For example, the March 1984 average value is 1700.02 and the September 1983 average value is 1688.27 (using the March 1984 publication), so that:

$$\text{Projected March 1984 value} = \frac{1700.02}{1688.27} \times (1700.02) = 1711.85$$

3. The semiannual index values obtained in Steps 1 and 2 are used to obtain monthly Florida Construction Cost Index values. The monthly index value m months past the previous index is computed as follows:

$$\text{Monthly Value } m \text{ Months Past} = \frac{\text{Previous Index}}{\text{Next Index Value } m/6} \times \text{Previous Index Value}$$

For example, using the September 1983 and March 1984 values given above, the interpolation formula yields

$$\text{October 1983 Index} = \frac{1700.02^{1/6}}{1688.27} \times 1688.27 = 1690.22$$

$$\text{November 1983 Index} = \frac{1700.02^{2/6}}{1688.27} \times 1688.27 = 1692.17$$

These indices will be updated semi-annually prior to each January 1 and July 1 using the most recent publication of the Dodge Indices.

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FOR RATES EFFECTIVE ON AND AFTER 7/1/91

The Florida Construction Cost Inflation Index is calculated from Health Care Costs published by DRI/McGraw-Hill using the CPI All Urban All Items Regional Index for the South Region. The Florida Index is calculated by the following steps:

1. Using the most recent Health Care Costs publication, locate the tables containing the Consumer Price Index All Urban All Items.
2. Using the South Region, divide the index corresponding to the midpoint of the current rate period by the index of the midpoint of the previous rate period. The results shall be the inflation multiplier for the rate semester.

Example:

Rate Semester - January 1991

Publication - DRI/McGraw-Hill Health Care Costs, Third Quarter 1990, Page 18, Table 6.

| Quarter | Index | Average Index | Corresponding Month |
|------------------|----------------|---------------|---------------------|
| 1991:2 1991:1 | 1.041 1.028 | 1.0345 | March 31 |
| 1990:4 1990:3 | 1.014 1.000 | 1.007 | September 30 |

6 month inflation multiplier =
 $(1.0345/1.007) =$
1.027308 or
2.7308 % increase over 6 months.

**FLORIDA TITLE XIX INTERMEDIATE CARE FACILITY FOR THE MENTALLY
RETARDED AND DEVELOPMENTALLY DISABLED REIMBURSEMENT PLAN
FOR PUBLICLY OWNED AND PUBLICLY OPERATED FACILITIES
VERSION VII**

EFFECTIVE DATE: October 1, 1998

- I. Cost Finding and Cost Reporting
- A. Each intermediate care facility for the mentally retarded and developmentally disabled (ICF/MR-DD) provider participating in the Florida Medicaid program shall submit a cost report to the Florida Agency for Health Care Administration (AHCA) postmarked or accepted by a common carrier no later than 3 calendar months after the close of its cost reporting year. Upon written request, AHCA shall grant an extension of time up to six months from fiscal year end for filing cost reports. An extension for filing a cost report is not an exception to the February 1, and August 1 dates in determining which cost reports are used to establish rates effective April 1 and October 1 of each year. The cost reporting year adopted for the purpose of this plan shall be the same as that for Title XVIII cost reporting, if applicable. Four complete, legible copies of the cost report shall be submitted to the Agency for Health Care Administration.
- B. Cost reports used to establish rates effective April 1, 1991 shall be used to establish rates effective July 1, 1991 for all providers enrolled in the Medicaid program as of April 1, 1991.
- C. All providers are required to detail all of their costs for their entire reporting period, making appropriate adjustments as required by this plan for determination of allowable costs. The cost report must be prepared using the accrual basis of accounting in accordance with generally accepted accounting principles, as incorporated by reference in Rule 61H1-20.007 F.A.C., the methods of reimbursement in accordance with Medicare (Title XVIII) Principles of Reimbursement, the Provider Reimbursement Manual HCFA PUB.15-1 (1993), incorporated by reference in Rule 59G-6.010, F.A.C., except as modified by the

Amendment 98-24
Effective 10/1/98
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Approval MAR. 10, 1999

Florida Title XIX ICF/MR-DD Reimbursement Plan for Publicly Owned and Publicly Operated Facilities, and State of Florida Administrative Rules. The HCFA PUB.15-1 Manual may be obtained from the regional Health Care Financing Administration office in Atlanta. For government-owned and operated facilities operating on a cash method of accounting, data based on such a method of accounting will be acceptable. The person preparing the cost report must sign the cost report as the preparer. Cost reports which are not signed shall not be accepted.

- D. If a provider submits a cost report late, after the 90 day period, and that cost report would have been used to set a lower reimbursement rate for a rate semester had it been submitted within 90 days, then the provider's rate for that rate semester shall be retroactively calculated using the new cost report, and full payments at the recalculated rate shall be effected retroactively. A provider who does not file within 180 days of the end of his cost reporting period shall have his contract canceled.
- E. A provider which voluntarily or involuntarily ceases to participate in the Florida Medicaid Program or experiences a change of ownership must file a final cost report within 90 days of withdrawal from the program when that provider has been receiving an interim reimbursement rate.
- F. All providers are required to maintain financial and statistical records in accordance with Title 42 Code of Federal Regulations (CFR) (1993~~7~~), Sections 413.24 (a),(b),(c) and (e). The cost report is to be based on financial and statistical records maintained by the provider. Cost information must be current, accurate, and in sufficient detail to support costs set forth in the report. This includes all ledgers, books, records, original evidence of cost and other records in accordance with HCFA PUB.15-1 (1993) which pertain to the determination of allowable costs, and must be capable of being audited and available within the State of Florida for auditing by state and federal agencies and their representatives within 20 days of the request. All accounting and other records must be brought up to date within 30 days of the end of each fiscal quarter. These

records shall be retained by the provider for a minimum of 3 years following the date of submission of the cost report form to AHCA.

- G. Records of organizations determined by AHCA to be related as defined by 42 CFR 413.17 (1993~~7~~) must be available upon demand within the State of Florida to representatives, employees, or contractors of AHCA, the Florida Auditor General, U.S. General Accounting Office (GAO), or U.S. Department of Health and Human Services (HHS).
- H. AHCA shall retain all uniform cost reports submitted for a period of at least 3 years following the date of submission of such reports and shall maintain those reports pursuant to the record-keeping requirements of 42 CFR 431.17 (1993~~7~~). Access to submitted cost reports shall be in conformity with Chapter 119, Florida Statutes.
- I. New providers entering the program must submit a cost report for a period of not less than 12 months for purposes of setting prospective rates. A partial-year cost report may be submitted initially, but may be used only to adjust the interim budgeted rate in effect.

II. Audits

All cost reports submitted by the providers shall be either field or desk audited at the discretion of AHCA.

A. Description of AHCA's Procedures for Audits - General

- 1. Primary responsibility for the audit of providers shall be borne by AHCA. The efforts of AHCA audit staff may be augmented by contracts with CPA firms to ensure that the requirements of 42 CFR 447.202 (1993~~7~~) are met. AHCA shall determine the scope and format for on-site audits and desk audits of cost reports and financial records of providers.
- 2. All audits shall be based on generally accepted auditing standards of the AICPA, as incorporated by reference in Rule ~~21A-61H1~~-20.008, F.A.C. ~~(4-21-91)~~.
- 3. Upon completion of each field audit, the auditors shall issue a report which meets the requirements of 42 CFR 447. 202 (1993~~7~~) and generally accepted

auditing standards. The auditor must express an opinion as to whether, in all material respects, the financial and statistical report submitted complies with all federal and state regulations pertaining to the reimbursement program for long-term care facilities. All reports shall be retained by AHCA for 3 years.

4. Providers shall have the right to petition for an administrative hearing in accordance with Chapter 120, Florida Statutes, ~~and with Section 10C-7.0481(6), Florida Administrative Code (F.A.C.), for any or all adjustments.~~

B. Desk Audit Procedures

1. Cost reports shall be reviewed for completeness, accuracy, consistency, and compliance with Medicaid regulations. Necessary adjustments shall be made. All findings and adjustments shall be summarized in writing.
2. A concurrence letter will be prepared and sent to the provider, showing all adjustments and changes and the authority for such. ~~Providers shall have the right to request an administrative hearing in accordance with Chapter 120, Florida Statutes, for any or all adjustments.~~

III. Allowable Costs

- A. The cost report must include all items of expense which a provider must incur in meeting:
 1. The definition of intermediate care facility set forth in Section 42 CFR 440.150 (19937);
 2. The standards prescribed by the Secretary of HHS for intermediate care facilities in regulations under the Social Security Act in 42 CFR 442 (19937), ~~Subparts E and G C~~;
 3. The requirements established by the state agency responsible for establishing and maintaining health standards, under the authority of 42 CFR 431.610 (19937); and
 4. Any other requirements for licensing under laws in the state which are necessary for providing long-term care facility services, as applicable.